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Macroeconomic policy questions: international financial system and development

Qatar:* draft resolution

International financial system and development

The General Assembly,

Recalling its resolutions 55/186 of 20 December 2000 and 56/181 of 21 December 2001, both entitled "Towards a strengthened and stable international financial architecture responsive to the priorities of growth and development, especially in developing countries, and to the promotion of economic and social equity", as well as its resolutions 57/241 of 20 December 2002 and 58/202 of 23 December 2003,

Recalling also the United Nations Millennium Declaration[1] and its resolution 56/210 B of 9 July 2002, in which it endorsed the Monterrey Consensus of the International Conference on Financing for Development[2] and the Plan of Implementation of the World Summit on Sustainable Development ("Johannesburg Plan of Implementation"),[3]

Emphasizing that the international financial system should further sustain economic growth and support sustainable development and poverty eradication, while allowing for the coherent mobilization of all sources of financing for development, including the mobilization of domestic resources, international investment flows, official development assistance and external debt relief, and an

* On behalf of the States Members of the United Nations that are members of the Group of 77 and China.

[1] See resolution 55/2.

[2] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[3] *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1 and corrigendum), chap. I, resolution 2, annex.

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open, equitable, rule-based, predictable and non-discriminatory global trading and financial system,

Reaffirming the commitment to create an enabling environment at both the national and international levels that is conducive to development and to the eradication of poverty through, inter alia, good governance with each country and, at the international level, transparency and accountability in the financial, monetary and trading systems, including in the private sector and transnational corporations,

Recognizing the urgent need to enhance the coherence, governance and consistency of the international monetary, financial and trading systems, and the importance of ensuring their openness, fairness and inclusiveness in order to complement national development efforts to ensure sustained economic growth and the achievement of the internationally agreed development goals, including those contained in the United Nations Millennium Declaration,

Reiterating the need to strengthen the leadership role of the United Nations in promoting development,

1. *Takes note* of the reports of the Secretary-General on the international financial system and development[4] and on innovative sources of financing for development;[5]

2. *Notes* that the global economic recovery is still fragile and should be strengthened and sustained, and stresses the importance of cooperative efforts by all countries and institutions to cope with risks of financial instability and to ensure a strong and steady recovery, including regional monetary cooperation, as a means of achieving greater financial stability;

3. *Emphasizes* the need for enhanced and predictable financial flows to developing countries, and in this regard expresses concern with continued net outward transfer of financial resources from developing to developed countries, underscores the need for appropriate measures at the national and international levels to address this issue, and notes the efforts that have been made thus far to this end and of the fact that for some developing countries those transfers, at the present time, indicate positive developments in the trade balance, which are required, inter alia, for debt repayment and which allow for the purchase of foreign assets;

4. *Underlines* the importance of adopting effective measures, including new financial mechanisms, to support the efforts of developing countries to achieve sustained economic growth, sustainable development, poverty reduction and the strengthening of their democratic systems, and reaffirms that each country has primary responsibility for its own economic and social development and that national policies have the leading role in the development process;

5. *Also underlines* the importance of promoting international financial stability and sustainable growth, and welcomes the efforts undertaken to this end by the International Monetary Fund and the Financial Stability Forum, as well as the consideration by the International Monetary and Financial Committee of ways to sharpen tools designed to promote international financial stability and enhance crisis prevention, including through an even-handed implementation of surveillance and a

[4] A/59/218 and Corr.1.

[5] A/59/272.

sharpening of surveillance on capital markets and systemically and regionally important countries, with a view, inter alia, to the early identification of debt-related systemic vulnerabilities, surveillance and enhancement of its pro-growth orientation, the better coordination of multilateral and regional surveillance, the fostering of appropriate policy responses, the provision of adequate precautionary support to deal with external crises and further improvements in the transparency of macroeconomic data and statistical information on international capital flows;

6. *Reiterates* in this regard that measures to mitigate the impact of excessive volatility of short-term capital flows and to improve transparency of and information about financial flows are important and must be considered;

7. *Notes* the impact of financial crises and risks of contagion to developing countries, regardless of their size, and underlines the need to ensure that the international financial institutions, including the International Monetary Fund, have a suitable array of financial facilities and resources to respond in a timely and appropriate way to such crises that includes counter-cyclical policies;

8. *Also notes* that building an environment that encourages investment by the domestic business sector requires policies that are able to offset the fluctuations in growth and employment caused by external shocks, and thus encourages the International Monetary Fund and the World Bank to incorporate increased policy flexibility into structural adjustment programmes to accommodate appropriate counter-cyclical policies;

9. *Stresses* the need to advance the efforts to reform the international financial architecture, and in this regard encourages the International Monetary Fund and the World Bank to continue examining the issues of the voice and effective participation of developing countries, through the implementation of the principles of full and equal participation in their respective decision-making processes, and stresses that the Bretton Woods institutions should take into account the specific conditions of developing countries in determining their economic policies;

10. *Welcomes* the ongoing work of the International Monetary Fund on quotas, and notes the conclusion of the Fund's Twelfth General Review of Quotas, the report on which indicated the adequacy of the current level of Fund resources and the intention of the Executive Board, during the period of the Thirteenth General Review, to monitor closely and assess the adequacy of Fund resources, to consider measures to achieve a distribution of quotas that reflects developments in the world economy and to consider measures to strengthen the governance of the Fund;

11. *Also welcomes* the ongoing work of the World Bank on aid effectiveness and financing modalities to complement increased aid flows and commitments, including innovative mechanisms, and calls for an institutional analysis by the Bank and the International Monetary Fund of such initiatives as the International Finance Facility, and those considered by the Technical Group in its report to the World Leaders Summit on Action against Hunger and Poverty;

12. *Emphasizes* that it is essential to ensure the effective and equitable participation of developing countries in the formulation of financial standards and codes, and underscores the need to ensure their implementation, on a voluntary and

progressive basis, as a contribution to reducing vulnerability to financial crisis and contagion;

13. *Invites* the multilateral and regional development banks and development funds to continue to play a vital role in serving the development needs of developing countries, including through coordinated action, as appropriate, and stresses that strengthened regional development banks and subregional financial institutions add flexible financial support to national and regional development efforts, thus enhancing their ownership and overall efficiency, and are an essential source of knowledge and expertise for their developing country members;

14. *Calls for* the continued effort of the multilateral financial institutions, in providing policy advice and financial support to member countries, to work on the basis of nationally owned reform and development strategies, to pay due regard to the special needs and implementing capacities of developing countries and to minimize the negative impacts of the adjustment programmes on the vulnerable segments of society, while taking into account the importance of gender-sensitive employment and poverty eradication policies and strategies;

15. *Stresses* the need for structural reforms to strengthen corporate governance, accounting and auditing, in particular when inadequate policies can have systemic consequences;

16. *Reiterates* the importance of the orderly resolution of sovereign debt crises as well as greater predictability and order to the resolution of sovereign debt, including a voluntary code of conduct by sovereign debtors and private creditors, as well as other mechanisms under review, and notes the increasing voluntary use of collective action clauses in international sovereign bonds;

17. *Encourages* the efforts, including those of the Bretton Woods institutions, to improve the assessment of debt sustainability in low and middle-income countries through, inter alia, the development of better tools to deal with exogenous shocks and the need to take country-specific factors into account;

18. *Stresses* the importance of continuation of work on crisis prevention and resolution and encourages, in this regard, the creation of more effective surveillance, backed by lending facilities offering to emerging markets some form of contingent insurance that can be mobilized quickly and on a sufficiently large scale if a need arises;

19. *Notes* the impact of financial crisis or risk of contagion in developing countries, regardless of their size, and in this regard underlines the need to ensure that the international financial institutions have a suitable array of financial facilities and resources to respond in a timely and appropriate manner in accordance with their policies;

20. *Invites* further consideration of proposals on innovative public and private mechanisms for financing development on possible innovative sources of finance, taking note of the proposal to use special drawing rights allocations for development purposes, bearing in mind that any assessment of special drawing rights allocations must respect the Articles of Agreement of the International Monetary Fund and the established rules of procedure of the Fund, which requires taking into account the global need for liquidity at the international level;

21. *Requests* the Secretary-General to work jointly with the international financial institutions to develop further analytical studies to assist in identifying policies that includes macroeconomic variables in favour of economic growth and sustainability, and to report to the General Assembly at its sixtieth session on the implementation of the present resolution;

22. *Decides* to include in the provisional agenda of its sixtieth session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "International financial system and development".